

**GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **F&M Bank - Kaukauna, Kaukauna, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 28, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION-S RATING:** This institution is rated **Outstanding**.

The bank promotes economic revitalization and growth, consistent with its size, financial capacity, location and current economic conditions in the assessment area. The bank promotes this revitalization through the origination of small farm, small business, consumer and real estate loans. The majority of the bank's loans are made within the assessment area and are reasonably distributed among borrowers of different income levels and businesses of different sizes. The bank's loan-to-deposit ratio, level of lending in assessment area, and lending to borrowers of different incomes and sizes meets the standards for satisfactory performance. The examination revealed no patterns or practices intended to discourage credit applications from members of a protected class. In addition, the bank has received no complaints concerning its CRA performance.

The following table indicates the performance level of **F&M Bank - Kaukauna, Kaukauna, Wisconsin** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	F&M BANK - KAUKAUNA PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	There are no low- or moderate-income census tracts or Block Numbering Area (BNAs) in the assessment area.		
Response to Complaints	No CRA-related complaints were received.		

## DESCRIPTION OF INSTITUTION

F&M Bank - Kaukauna, with \$107.9 million in assets as of June 30, 1996, is a subsidiary of F&M Bancorporation, Inc., a multibank holding company with total assets of \$944 million as of December 31, 1995. The bank currently operates four full-service offices: two in Kaukauna, Wisconsin, including the main office; one in Appleton, Wisconsin; and one in Little Chute, Wisconsin. Kaukauna is the lead bank and second largest of the 13 F&M subsidiary banks. On October 1, 1994, a former full-service branch, located in Green Bay, was sold to F&M Bank - Northeast. In 1996, the bank purchased \$7.5 million in deposits from a TCF Bank branch located in Little Chute.

F&M Bank - Kaukauna is a retail bank offering traditional financial services, including consumer, real estate mortgages, home equity lines of credit, commercial and agricultural products. The bank's competitors include Bank of Kaukauna, Kaukauna; East Wisconsin Savings & Loan Association, Kaukauna; Bank of Little Chute, Little Chute; Kaukauna Credit Union, Kaukauna; Capital Credit Union, Kaukauna; Fox Communities Credit Union, Kaukauna; a branch of Bank One Green Bay in Freedom; a branch of M&I Bank Northeast in Wrightstown; and a branch of M&I Bank Fox Valley in Sherwood.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of 18 census tracts located in portions of Outagamie, Calumet and Brown Counties. The assessment area includes portions of the Green Bay Metropolitan Statistical Area (MSA) and Appleton-Oshkosh-Neenah MSA. At the time of the examination, the assessment area was revised to include entire census tracts as required by the regulation.

The bank's main office is located in Kaukauna. According to the 1990 U.S. Census Data, the population in the bank's assessment is 79,004. Demographically, the population consists of 77,759 or 98.4% Whites, 483 or 0.6% Asians, 382 or 0.5% American Indian, and 380 or 0.05% all other minorities. There are no low- or moderate-income census tracts in the assessment area; however, 17.0% of the assessment area consists of low-income households and 14.9% consists of moderate-income households. The census tracts are all middle-income areas with the exception of one census tract (125) which is upper-income. The median income for the Green Bay MSA is \$31,303, and the Appleton-Oshkosh-Neenah MSA is \$31,955. The total number of housing units in the market is 27,519, with 21,389 or 77.7% owner-occupied. Employment and economic growth and development is primarily related to the paper industry. The following chart illustrates the major employers in the bank's assessment area.

EMPLOYER-LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
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EMPLOYER-LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
Appleton Papers, Inc.	2,000	Paper processing
Tissue Mills	1,451	Paper processing
Thilmany	1,120	Paper processing
Kimberly-Clark Corp.	500	Fiber-based consumer, hygienic and industrial products
Gilber Paper	385	Paper processing

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

### Loan-to-Deposit Ratio

The bank's quarterly loan-to-deposit ratio since March 31, 1995 averages to 88.31%. During the six-quarter review period, the ratio has remained relatively stable, with the lowest ratio of 85.19% on December 31, 1995, and the highest ratio of 92.76% on September 30, 1995. According to the Uniform Bank Performance Report (UBPR) dated June 30, 1996, the bank's net loan-to-deposit ratio of 85.42% is higher than its peers at 69.57%. The bank's loan-to-deposit ratio also compares favorably with its competitors, as demonstrated in the following chart:

Bank/Location	Assets (As of 9/30/96) (\$000)	Loan-to-Deposit Ratio (As of 9/30/96) (%)
F&M Bank - Kaukauna/Kaukauna	116,118	79.26
Bank of Kaukauna/Kaukauna	38,279	86.42
Bank of Little Chute/Little Chute	84,463	74.96

The bank's loan-to-deposit ratio is considered to exceed standards for satisfactory performance and demonstrates the bank's willingness to provide for the credit need of its assessment area.

### Lending in Assessment Area

A sample of loan originations over the six-month period, March 1996 - September 1996, were reviewed to determine the bank's level of lending within its assessment area. The loan sample was generated by the bank's holding company. According to the loan sample, 78.7% (515 of 654) of

the loans were made within the assessment area. Commercial and consumer loans represented 82% of the loans made within the assessment area (422 of 515). The following chart illustrates the distribution of the loans in the six-month sample.

Loan Type	# in Sample	# in Assessment Area	% in Assessment Area
Commercial Loans	149	123	82.5
Commercial/Agriculture	67	48	71.6
Consumer Single-Payment	94	69	73.4
Consumer Installment	234	182	77.8
Residential Real Estate	15	14	93.3
All Other Real Estate	95	79	83.2
Totals	654	515	78.7

The bank's level of lending in the assessment area is consistent with the economic conditions in the assessment area, and exceeds the standards for satisfactory performance.

### **Lending to Borrowers of Different Incomes and to Business of Different Sizes**

The six-month loan sample was used to determine the bank's level of lending to borrowers of different income levels and businesses of different sizes. According to the loan sample, 5% (6 of 120) of real estate mortgage loans were to low-income borrowers, 16.67% (20 of 120) were to moderate-income borrowers, 34.17% (41 of 120) were to middle-income borrowers, and 25% (30 of 120) were to upper-income borrowers, with the remainder to businesses. According to 1995 Home Mortgage Disclosure Act (HMDA) data, of the total 74 loans originated, 13 (17.57%) were to low- or moderate-income borrowers; 33 (44.59%) were to middle-income borrowers; and 28 (37.84%) were to upper-income borrowers. Considering that the bank's assessment area is predominantly comprised of middle-income census tracts, and that 17.0% of the assessment area consists of low-income households and 14.9% consists of moderate-income households, this is a reasonable distribution of loans.

Review of the commercial and agricultural loan sample indicated that 79.17% of commercial loans were to small businesses and small farms; 50.93% (110 of 216) of the loans were to small businesses with revenues less than \$1.0 million and 28.24% (61 of 216) were to small farms with revenues less than \$500,000. The examination loan sample and HMDA data revealed that the bank's lending to individuals, and business of different sizes is in accordance with the assessment area's demographics. The bank's performance under this criterion is strong and meets the standards for satisfactory performance.

### **Geographic Distribution of Loans**

Because there are no designated low- or moderate-income geographies located within the assessment area, this criterion is not rated.

**Response to Substantiated Complaints**

No CRA-related complaints were received by the bank since the previous examination by the Federal Deposit Insurance Corporation.